

The Social Impact Bond Act

To encourage and support partnerships between the public and private sectors to improve our nation's social programs and for other purposes

Too often, we've seen government programs that fail the constituencies they are intended to serve. Unfortunately, discussions around improving these programs tend to revolve around funding levels, rather than focusing on how we can better serve our fellow Americans. Rep. Todd Young's SIB legislation would expand and improve meaningful social interventions, even while driving taxpayer savings.

Helping People in Need (Sections 1, 2 & 3)

- The purpose of this bill is to improve the lives of those in need by funding social programs that work, to ensure money is spent in ways that benefit both service recipients and taxpayers, and to help the US improve the effectiveness of social programs.
- To apply to receive funding for a Social Impact Bond project, a State would have to identify a social problem they hope to address. This might be helping the unemployed find work, working to improving high school graduation rates, increasing efforts reducing child abuse, or addressing another social problem that would produce both positive social outcomes as well as federal savings. States would then have to submit a Social Impact Bond feasibility study to the Department of the Treasury for consideration.

Funding Projects That Work (Section 4)

- Treasury and the newly-formed Federal Interagency Council on Social Impact Bonds would have to consider certain criteria before awarding a Social Impact Bond contract to a State, such as the value of the outcome to the federal government and the likelihood of the project producing those outcomes. Treasury would only pay the State if the independent evaluator determines that the project has achieved the outcome.

Helping States Implement Social Impact Bond Projects (Section 5)

- States would be able to apply for funding from the Treasury to assist in developing their feasibility study. To apply for this federal funding, the State would be required to submit an application detailing their plans for a Social Impact Bond project.
- However, before awarding a contract, Treasury and the Council would need to consider certain criteria, including the chances of the project succeeding and its projected costs and savings. If the Social Impact Bond project involves some aspect of an existing federal program, Treasury and the Council would be required to consult with the agency administering that program.
- Treasury could provide only up to 50 percent of the estimated total cost of the feasibility study, and could not spend more than \$10,000,000 to support states in their development of Social Impact Bond feasibility studies.

Evaluating Projects to Ensure Success (Section 6)

- In order to evaluate these projects, Treasury would be required to contract with an independent evaluator. Evaluators would determine whether a State project has fulfilled their requirements and met the outcomes necessary for the state to receive payment.
- The evaluator would be independent of the parties and would have demonstrated substantial experience in conducting rigorous evaluations of program effectiveness before

being selected.

- Social Impact Bond evaluations would be conducted employing experimental designs using random assignment or other research methodologies that allow for the strongest evidence of effectiveness possible.
- The evaluator would be required to complete a progress report detailing the progress that has been made in achieving the outcomes, as well as produce a final report that includes the results of the evaluation and whether the State has met the requirements for payment.
- Treasury would not be allowed to spend more than 15 percent of the fund to evaluate the implementation and outcomes of projects.

Coordinating Federal Efforts to Avoid Duplication (*Section 7*)

- The Federal Interagency Council on Social Impact Bonds would be established to coordinate the efforts of Social Impact Bond projects and advise and assist the Treasury and other agencies in the development and implementation of Social Impact Bond projects.
- The Council would be composed of one designee from 10 agencies or departments, including the Department of Health and Human Services and the Office of Management and Budget.

Funding (*Section 8*)

- \$300M would be authorized through a one-time mandatory appropriation.
- Funding would be used to pay for the positive outcomes of Social Impact Bond projects, to fund feasibility studies and to pay for evaluations of Social Impact Bond projects.
- Treasury would be allowed to spend up to \$1,000,000 each year for technical assistance in the development or support of Social Impact Bond projects.

Ensuring Project Transparency (*Section 9*)

- Treasury would be required to establish and maintain a public website that will display important information regarding the contracts, evaluations and the estimates of savings.

Leveraging Local Investment (*Section 10*)

- Treasury would permit a bank's investment in Social Impact Bond projects to be considered as part of the bank's requirement under the Community Reinvestment Act (CRA) to help meet the credit needs in their communities.

Regulations (*Section 11*)

- Treasury would be permitted to issue regulations as necessary to ensure the successful implementation of the Social Impact Bond Act.

Definitions (*Section 12*)

- Clarifies certain terms within the legislation, such as "intervention," and "Social Impact Bond Model."

Sunset (*Section 13*)

- This law will sunset 10 years after passage.